



Company Report: Asia Joint Stock Commercial Bank (ACB)

CVPT

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Update Q3/2022 Result: Resilient performance

BUSINESS PERFORMANCE

Total credit increased by 11.6%ytd. The bank reported VND13,503 bn PBT in the first 9 months.

NIM was slightly up to 4.1% from 4.0% in Q2 thanks to well cost control, making NII higher. On the other hand, non-interest income growth was weaker.

The bank invests only in government bonds and has no exposure to corporate bonds.

The NPL ratio increased from 0.76% to 1.02%. The restructured loan slightly declined to over VND11 trn.

COMMENT

The bank managed cost to lending well in the first 9 months, illustrated in higher NIM. Following that strategy, LDR was quite high at 83% (SBV limits at 85%) as lending growth was 3 times of deposit growth.

The provision pressure is quite significant in the upcoming time given VND11trn remaining restructured loan.

We believe that ACB's business will remain stable without a sudden change given its stubborn strategy. The bank's no exposure to corporate bonds is a plus point to ensure asset quality is under control.

We maintain a “**Hold**” recommendation for ACB.

Recommendation:

Hold

(Maintained)

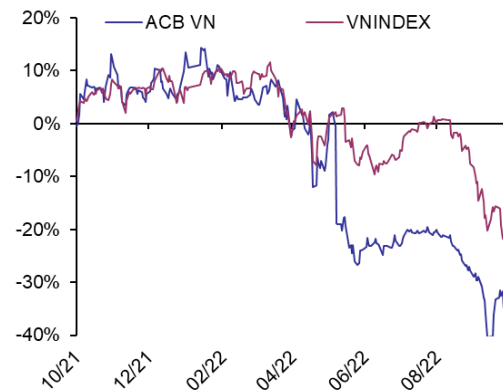
6-18m TP:

29,500

Market price:

VND22,300

Price performance



Price change	1 M	3 M	1Y
Abs. %	-0.7	-10.4	-29.4
Relative to VN index	-13.1	-25.1	-55.2
Avg price (VND)	20,611	22,905	25,111

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2020A	18,161	7,683	3,511	-3.33	13.12	-	0.00	3.78	-41.98	24.31
2021A	23,564	9,603	3,498	-0.37	16.62	-	0.00	4.00	-34.93	23.90
2022F	27,572	12,875	3,812	8.98	23.88	-	0.00	4.10	-37.00	27.00
2023F	32,400	14,612	4,326	13.50	29.29	-	0.00	4.20	-37.00	25.00
2024F	37,116	17,810	5,273	21.88	35.88	-	0.00	4.35	-37.00	25.00

Shares in issue (m)	3,377.44	Major shareholder (%)	Dragon Holdings 6.92%
Market cap (VND b)	75,316.80	Free float (%)	55%
3- month average vol. ('000)	3,212.96	LDR (%)	83
52w high/low (VND)	29080 / 17450	CAR (%)	12.3

Sources: the Company, Guotai Junan (VN).

Profit momentum is well maintaining

In Q3/2022, ACB recorded a pre-tax profit of VND 4,474 billion, up 71%yoy but down 9% qoq. Q3 profit decreased compared to Q2 mainly due to a decrease in non-profit income, in which the securities investment recorded a loss of more than VND 220 billion and service and FX income decreased slightly. Meanwhile, the bank's net interest income recorded growth compared to the previous quarter with an increase of 7.6% q-o-q to VND 6,032 billion. The amount of VND 180 billion provision reversal contributes a large part to ACB's PBT in this period.

Accumulated in the first 9 months, bank profits increased by 51%yoy. Non-interest income and especially service fee income in the first 9 months of the year still grew by 21%. Banca, cards and settlement fees in the first 9 months grew by 24%yoy, 66%yoy and 41%yoy, respectively.

Business performance was maintained with NIM increasing slightly compared to the previous quarter thanks to the optimization of the bank's mobilization and lending activities.

Credit portfolio structure can spread risk well. Currently, ACB still focuses on individuals and SMEs lending with a proportion of 94% of total credit.

Regarding the real estate sector, mortgages account for 21% of total credit with a scale of about VND 84 trillion while lending to real estate businesses and related groups accounts for 5% of total outstanding loans, of which, direct real estate lending accounts only 1.5% of ACB's total loans.

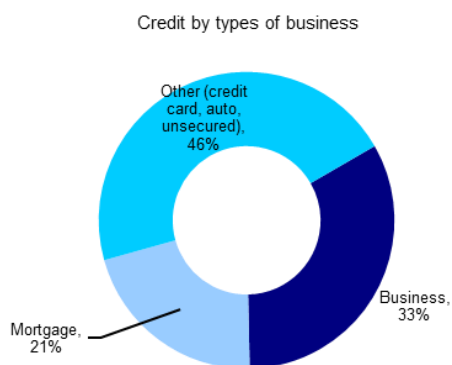
In addition, ACB has no exposure to corporate bonds with a portfolio investing only in government bonds, which accounts for 10% of the bank's credit.

NPL ratio increased to 1.02%

ACB's restructuring balance is still quite large, more than VND 11,000 billion, showing short-term pressure on the bank's provision costs and NPL ratio.

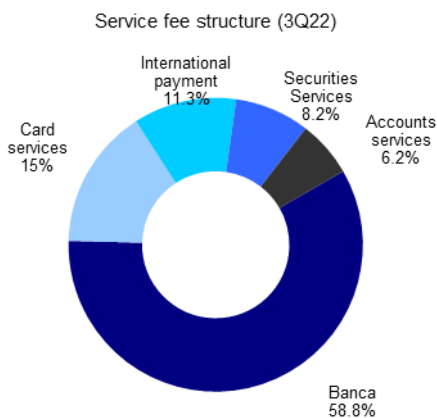
Bad debt increased by VND 1,200 billion compared to the previous quarter, pushing the bank's non-performing loan ratio to 1.02% from 0.76% at the end of Q2.

Figure-1: Credit breakdown by segment



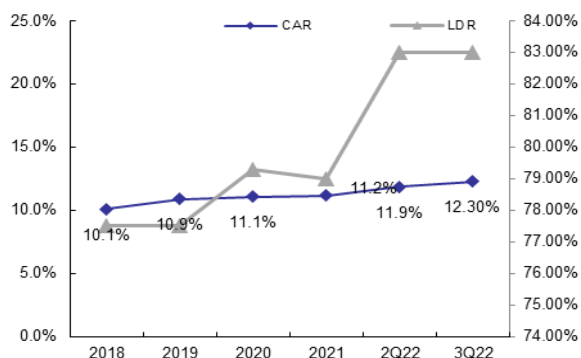
Source: ACB, Guotai Junan (VN).

Figure-2: Service fee structure



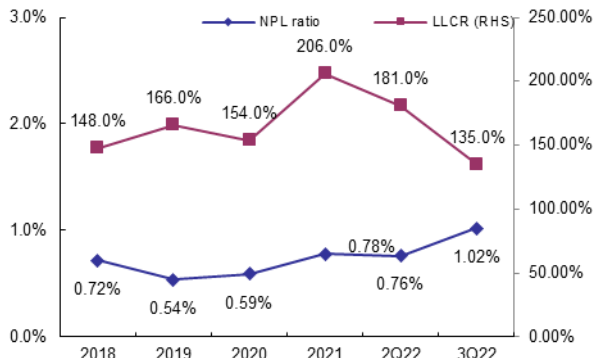
Source: ACB, Guotai Junan (VN).

Figure-3: CAR and LDR



Source: ACB, Guotai Junan (VN).

Figure-4: Asset quality



Source: ACB, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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ACB (ACB)

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